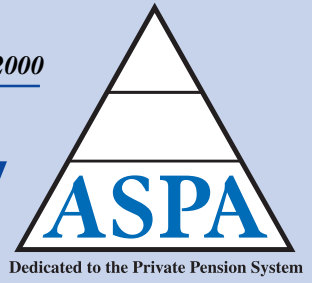


THE Pension Actuary



WASHINGTON UPDATE

Congress Getting Involved in New Comparability Debate

Update on Possible Changes to Rules

by Brian H. Graff, Esq.

Since the last issue of *The Pension Actuary*, some significant developments have occurred regarding the new comparability debate. Representatives of ASPA's Government Affairs Committee, along with representatives of other small business groups such as the U.S. Chamber and the Small Business Council of America, have been having substantive meetings with Treasury about possible changes they are considering to the new comparability rules. Initially, Treasury had been indicating that they were planning on substantially rewriting the rules governing new comparability. Now they are suggesting that they are considering a series of alternative requirements, dubbed "gateways," which if any **one** were satisfied, would permit a plan to be tested under the current rules. In other words, if the plan design satisfies one of these "gateways," the plan can then be tested under the new comparability rules currently in effect. Please

Continued on page 6

Procedures for Amending Plan Documents for "GUST"

by Richard Hochman, APM, Esq. and Steven Oberndorf, Esq.

To be a "qualified" plan under the Internal Revenue Code (the "Code"), a retirement plan is required to operate in conformance with the express terms of its written document. Such a written document must also conform to the requirements of the Code and other related laws that are currently in effect. Failure of a document to conform to current law at all times or failure to operate a plan in accordance with its written document may lead to the disqualification of the retirement plan under a strict reading of IRS regulations. If a retirement plan is disqualified, the ability of participants to defer taxation on plan contributions and earnings will be lost, and the employer will be unable to take a deduction on its contributions until benefits are actually paid.

With the frequent and continuous enactment of new pension legislation, it has become increasingly

difficult for qualified plan documents to keep up with current law. This complicates operation since

IN THIS ISSUE

- Present Valuations in Divorce – An Adjunct to Your Business **3**
- Electronic Document Management – The Paperless Pension Office **4**
- Welcome New Members **10** • Focus on the Board of Directors **13**
- ASPA Summer Academy – An Unqualified Success! **14** • Los Angeles Benefits Conference **20** • Special Luncheon Entertainment
- Highlights 2000 ASPA Annual Conference **20** • ASPA Programs Approved for SOA Professional Development Credit! **21** • Focus on ABCs **22** • ABC Events **23** • Focus on Technology **24** • Focus on Government Affairs **25** • Focus on E&E **26** • PIX Digest **27**
- Bulletin Board **28** • Calendar of Events **28**

the plan generally must operate under its explicit terms until it is amended, unless such operation would violate the law. For example, employers were required to operationally comply with the change in the method of distributing excess contributions to highly compensated employees, but no such mandate was imposed on providing active participants with the option to delay their required beginning date.

Since the ramifications of a plan disqualification due to document defects may disproportionately affect the rank-and-file plan participant, Code Section 401(b) authorizes the IRS to grant relief in the form of a remedial amendment period when a plan document contains so-called "disqualifying provisions." Disqualifying provisions are those plan provisions that do not conform to the law in effect at that time. Theoretically, an employer and its consultant could attempt to amend the

plan document as each new law becomes effective. However, this is not the usual course of action, since IRS approval of plan amendments based on law changes does not take place until the Service puts into place the procedure to approve them. For example, although qualified plans originally were scheduled to be amended for certain statutory changes by the end of the 2000 plan year, the IRS delayed issuing the revenue procedure that would allow submission of determination letter requests until just seven months before the deadline. Revenue Procedure 2000-27 permitted individually-designed plans to start submitting determination letter applications as of June 26, 2000.

Where Retirement Plans Stand Now

Generally, the last required deadline for qualified retirement plans to be amended for a change in the law was for the 1994 plan year. The

Omnibus Budget Reconciliation Act of 1993 (OBRA '93) lowered the plan compensation limit of Code Section 401(a)(17) to \$150,000 effective as of the 1994 plan year, and all qualified plans had to be amended accordingly. In addition, some plans had to be amended to incorporate the direct rollover provisions of the Unemployment Compensation Act of 1992 (UCA '92). Since 1993, five additional pieces of legislation were enacted that significantly impacted the administration of qualified retirement plans. These new laws were the:

1. Uniform Services Employment and Reemployment Rights Act of 1994 (USERRA);
2. General Agreement on Tariffs and Trade, Uruguay Round Agreements Act (GATT);
3. Small Business Job Protection Act of 1996 (SBJPA);

Continued on page 8

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The purpose of ASPA is to educate pension actuaries, consultants, administrators, and other benefits professionals, and to preserve and enhance the private pension system as part of the development of a cohesive and coherent national retirement income policy.

ASPA members are retirement plan professionals in a highly diversified, technical, and regulated industry. ASPA is made up of individuals who have chosen to be among the most dedicated practicing in the profession, and who view retirement plan work as a career.

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Present Valuations in Divorce – An Adjunct to Your Business

by Robert Guarnera, MSPA, CPC, EA, MAAA, FCA

Why not add another component to your administration business – valuing pensions for participants in plans that your firm does not service? These potential clients include the large public corporations, state and local municipalities, military, government, union and your competitors' clients.

Valuation of current benefits include present value of accrued benefits of both defined benefit and cash balance plans and account balances of 401(a) defined contribution plans, 401(k) plans, 403(b) TSAs, 457 plans of deferred compensation, IRAs and non-qualified plans.

Who better than an actuarial administrative firm to calculate these accrued benefit values and account balances? This is an ideal profit center, yet one that most firms avoid. The learning curve for ASPA firms is relatively easy. The following will give an overview of what must be considered in providing this service.

First we'll look at valuation of account balance plans. These plans are valued with the premise that a Qualified Domestic Relations Order (QDRO) will be effectuated, dividing the balance in accordance with a separation agreement. All ERISA plans require a QDRO to permit distribution to an Alternate Payee without adverse tax consequences to the Participant. Section 457 plans, 403(b) non-ERISA plans, and IRAs can be divided by a court order. However,

more and more vendors are requiring detailed court orders, similar to a QDRO without the "Q" before dividing the account balance.

Not all plans permit immediate distribution of the account balance. Section 457 plans only permit distribution upon separation of service, while the others may have language permitting distributions at "the earliest retirement age" as defined under IRC 414(p).

When valuing a defined contribution plan, there are three popular methods of valuation: the Time Rule, Value Difference and Tracing Method. The Time Rule uses a fraction - the numerator of which is the years of marriage participation, while the denominator is the total years of plan participation at the time the fraction is being applied. Although this method will accurately determine the marriage ratio, it will not separate pre-marital or post-marital contributions. The Value Difference method subtracts the value at the date of marriage from the current value, with the resulting difference supposedly the marital portion. Earnings on the

pre-marital portion are ignored as they are considered marital. Although these two methods are frequently used, the only true method is the Tracing Method, which as its name implies, traces contributions from the time they are made.

Since many Plan Administrators will not allocate gains and losses more than 12 months prior to receipt of a QDRO, the expert is obliged to do so. This can be problematic if the marital interest ended several years in the past. If the information is not available to trace the contributions, then the Time Rule may be the only choice to determine the marriage portion of an account balance. Exhibit I will illustrate the three applications and the significant differences in each.

Valuing an accrued benefit in a defined benefit plan is more difficult, and here the attorney or the Participant or Alternate Payee will want to determine the present worth of the pension to offset against an IRA, 401(k) or a non-plan asset. Prior to valuing, the actuary must, and the non-actuary practitioner should, have an understanding of Actuarial Standard of Practice (ASOP) #34 recently released (9/1999) by the Actuarial Standards Board (ASB). Appendix 2 of this publication reviews various applications of the Direct Tracing Rule vs. the Fractional Rule (Time Rule). Jurisdictional

Continued on page 12

Electronic Document Management – The Paperless Pension Office

by Mark K. Buckley and Kim L. Szatkowski, CPC, QPA

For many years, the concept of a “paperless office” has been the fond dream of most pension administration and consulting firms. It’s now time to turn that dream into a reality.

In this article, we will explain how this can be accomplished using today’s Electronic Document Management techniques.

What do you mean by Electronic Document Management?

First, let’s clarify one point. By the term “document”, we are not referring solely to the legal documents relating to employee benefit plans. Rather, we are referring to every piece of paper connected to the services provided by a pension company. In fact, we can even extend the term to items that often do not even exist in paper form, such as e-mail messages and multimedia computer files.

Electronic Document Management (EDM) consists of the organized **storage**, systematic **retrieval**, automated **creation and editing**, and internal and external **distribution and flow** of all these documents, both within the pension firm itself, and to and from its clients and plan participants.

In this article, we will focus on the application of EDM to the core operations of a pension firm, such as plan recordkeeping and administration. Implementation of a system for this purpose, while extremely worthwhile in the long run, is unquestionably a significant undertaking. However, once this “core” system is established, it is a relatively simple matter to expand it to the more general business functions of the company, such as accounting, human resources, marketing, and others.

How does an EDM system work?

In operation, an EDM system uses a database to track documents that would otherwise be filed in paper form. (How these documents are entered into the database, and how they are physically stored, will be covered in a later section.)

Each document in the database has a variety of “indexes” assigned to it, which associate it with its

proper place in the firm’s business operation. Common indexes would include client, benefit plan, plan year, and document type. These indexes are the key to managing the documents in the system and are specified by the user firm.

Using document management software, each staff member may easily retrieve any selection of documents for display on his or her computer screen. The software will contain simple commands for the retrieval of all documents for a given client (the complete plan file), or only documents pertaining to a certain plan year or work activity. Additionally, the retrieval could consist of all documents of a particular type for all plans (such as all 5500s), or all documents for the current year, or a nearly infinite variety of other “search” conditions.

As documents are added to or generated for the client’s “file”, they are entered into the database by a variety of automated processes (depending on their nature).

The viewing and use of the documents is not limited to a single staff member’s own workstation on the firm’s computer network. They may be made available to employees

accessing the network remotely (either from another office or from home), and may also be accessed via the Internet by clients and plan participants with the appropriate security passwords. Of great importance, the “file” for a given client may be retrieved and used by multiple staff members simultaneously, so that different elements of the administrative process can be carried out at the same time.

Another significant benefit for pension firms is that Word, Excel, and other electronic forms of documentation are stored and indexed exactly the same way reports, statements, etc., are stored, thereby providing a single interface for consultants to retrieve **all** information regarding a client.

While the initial focus of the system will be for client records used for actual plan administration and consulting, over time the system may be expanded to include all company documents. These can range from billing and other financial records, employee timesheets, etc., to sales and marketing documentation, personnel files, and the like. Again, through the use of indexes, it is possible to associate any sets of documents with each other. For example, all of the billing information for a given client may be made instantly accessible at the same time as the plan’s administrative records.

It sounds like there are a number of different components to the system. What are they?

An integrated document management system does consist of a number of components.

First, there is the input hardware, used to build and update the database. This typically consists of at least one document scanner ... possibly more than one in a firm with multiple offices or large departments. The principal variables in

scanning equipment are the quality of the image they produce, and the speed of their operation. High quality is **essential** for a successful document management implementation. Speed will be dictated by the size of the organization.

Next, two computers to act as the servers for the Document Management System are required. One of these will be a dedicated SQL database server to hold all of the index values and the locations of the actual files. The second computer will be used to house the recent documents (the past year or two) on its hard drive and to optimize speed of retrieval for all those items expected to be accessed frequently. These computers should be a dedicated element of the firm’s computer network and will also serve to control any other storage devices that are used.

For “inactive” storage, there are a wide variety of options. These devices, which include CD-ROM or DVD “jukeboxes”, will be used to store records that would otherwise be archived or placed in off-site storage. They are slightly slower for retrieval purposes than is the computer server, but will still deliver documents to the user in a matter of a few seconds. The type of equipment needed is a direct function of the volume of records to be stored.

At the heart of the system is the document management software, which will be discussed in more detail in a following section. Briefly, this software serves to control all operations of the system (including the hardware components).

How do all our records get into the system?

As suggested earlier, the basic approach to input all existing (and much ongoing) documentation is optical scanning. However, there are many other alternatives available

such as COLD processing, Drag & Drop, and Document Importing. Integration with your other pension software, utilizing the API (application programming interface) of the EDM software, can serve to automate much of the data import process.

Depending on your situation, you may find that doing EDM only prospectively is most cost efficient. Some go back only to the beginning of the current fiscal year. Sometimes an outside service is hired to scan prior documents and get the project underway.

Does this mean we will have to scan all the documents our firm generates, after the system is in place?

Compared to many other businesses, we have found that a relatively high percentage of documents involved in pension administration are generated **internally** (by staff using other pension company-owned computer systems), as opposed to being obtained **externally** (from clients, investment partners, or other sources). The task of printing these internally generated reports, and then scanning them back into the EDM system, would carry a significant measure of inefficiency.

Fortunately, there is a solution to this problem. A feature of EDM systems known as “COLD” processing (Computer Output to Laser Disk – a very outdated term for this technology) enables the user to automatically transfer all internally generated documents directly from the system that creates them to the document database, without the need for scanning or other manual intervention. In fact, using COLD, documents can be added to the EDM database without initially being printed at all. If hard copies are required at a later date, they can then be obtained directly from the database and (by

Continued on page 16

Washington Update

keep in mind that these discussions are preliminary and nothing has been finalized. The five gateways that have been discussed so far are as follows:

1. Age and/or service classifications:

The plan could be tested under current new comparability rules if the allocation groups were defined based on age or service. For example, the plan could provide that employees age 50 and over receive a 7 percent contribution while employees less than 50 years of age receive a 5 percent contribution. It has generally been unclear in our meetings with Treasury whether this gateway includes a classification based on a combination of age and service, which needs to be clarified.

2. Current availability:

The plan could be tested under current new comparability rules if each of the allocation groups satisfied the current availability test applicable to benefits, rights and features. We made a strong argument that use of any effective availability concept for this purpose would simply not work and, after that discussion, Treasury appeared to agree with that premise. Consequently, they appear to be thinking that this gateway would only be the mathematical current availability test. Naturally, such a gateway would have limited application to small business new comparability plans.

3. 401(k) Safe Harbor:

This gateway would be satisfied if the plan included a CODA satisfying the 3 percent nonelective safe harbor. Treasury has seemed somewhat responsive to this because of the immediate 100 percent vesting. However, Treasury indicated that they might want a 4 percent contribution for this purpose. Given that few

small businesses are taking advantage of the 3 percent nonelective safe harbor because of its cost (including the vesting), the small business community believes 4 percent would be prohibitively expensive.

4. Minimum contribution requirement:

This gateway would be satisfied if the lowest contribution percentage under the plan for any allocation group was not less than a minimum percentage. The small business community has discussed with Treasury a minimum of either 4 or 5 percent. For those of you who remember when cross-testing was being attacked in 1994, a 5 percent minimum contribution was the suggested compromise by the small business retirement savings coalition. We have told Treasury that increasing the percentage above 5 percent will result in a significant number of small business plan terminations. Note that based on our survey of new comparability plans, a minimum contribution of 5 percent would require more than 50 percent of new comparability plans to increase their contribution percentage for rank and file workers.

5. Permitted percentage disparity:

This gateway would be satisfied as long as the lowest contribution rate provided under the plan was at least X% of the highest rate. The purpose of this gateway is to provide plans that provide a top contribution percentage that is less than the maximum permissible with a lower minimum percentage. The small business groups have suggested 25 percent for this purpose. So, for example, if the highest contribution rate is 20 percent, the lowest contribution rate cannot be less than 5 percent. If pension reform passes,

the 25 percent permitted disparity works well since the maximum percentage that would be permitted under a defined contribution plan could not exceed 20 percent (i.e., \$40,000/\$200,000). Notwithstanding, Treasury seems to be suggesting a 33 1/3 percentage disparity for this gateway.

We are aware that Treasury is also reviewing a possible change to the interest rate used to calculate the equivalent benefit, but it is not clear whether they have made any decisions on this.

Treasury has told us, as well as several democratic Capitol Hill staffers, that it is their intent to issue proposed regulations by early fall. Given the possibility of pension reform legislation in September, it is very unclear whether they will be able to meet this objective. Nonetheless, we are proceeding with our efforts assuming a release of proposed regulations this fall.

In addition to our discussions with Treasury, we are also continuing our efforts to educate Congress on this issue. In this regard, we have been focusing our attention on those members of Congress who were initially very negative about new comparability. One of those members was Senator Max Baucus (D-MT). Senator Baucus is important because he is slated to become the highest-ranking Democrat on the Senate Finance Committee after Senator Moynihan (D-NY) retires at the end of this year. After several meetings with his staff, not only did the Senator agree that new comparability was an important tool for stimulating small business retirement plan coverage, but he offered to help with our efforts with Treasury. Following this article is the text of a letter he sent to Secretary of Treasury, Lawrence Summers, expressing his concerns about Treasury's review of the new comparability rules. In his letter, Senator Baucus states his concern about the potential impact any changes to the new comparability rules could have on small business retirement plan coverage. He states that Treasury should conduct their review quickly and, if any changes

are necessary, they should not unfairly affect the thousands of new comparability plans that provide meaningful benefits to small business employees. Finally, he indicates that in conversations with his staff, Treasury has stated that the effective date for any new regulations for **all** new comparability plans should not be before 2002. This is sig-

nificant given Treasury's previous lack of clarity regarding a possible effective date for preexisting plans which are amended to a new comparability design.

Obviously, letters from influential Senators like Max Baucus are extremely helpful. However, this battle is far from won. ASPA's Government Affairs Committee will continue

fighting for a positive resolution to this issue. ▲

Brian H. Graff, Esq., is Executive Director of ASPA. Before joining ASPA, Mr. Graff was legislation counsel to the U.S. Congress Joint Committee on Taxation.

July 14, 2000

Mr. Lawrence H. Summers
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue NW, #3326
Washington, DC 20220

Dear Larry,

I am concerned about the potential impact of your current review of the special nondiscrimination rules governing so-called "new comparability" retirement plans. Thousands of small businesses across the country utilize "new comparability" to satisfy the nondiscrimination rules because it takes into account both the concerns of rank and file workers, and the relatively older age at which small business owners start retirement plans. By addressing these issues, "new comparability" plans can provide an incentive for small business owners to establish plans where they might not otherwise have done so, and provide benefits to rank and file employees who might not be saving on their own. According to a survey by the American Society of Pension Actuaries, 58% of new comparability plans were adopted by small businesses that previously had no retirement plan coverage.

I recognize that new comparability plans raise a number of issues. In particular, concerns have been expressed about the impact of these plans on older, lower-income employees. And as with anything in the pension area, there is a tension within the new comparability issue between the two competing goals of expanding coverage and participation while making an effective use of taxpayer resources. As you review current regulations, I am confident you will address and appropriately balance these competing concerns.

It is important that any changes to the new comparability rules not unfairly affect the thousands of these plans that are providing meaningful benefits for all employees. I understand your office has been meeting with small business representatives to discuss possible changes to the new comparability rules, and I applaud you for that.

Unfortunately, as my staff has discussed with your pension benefits counsel, while this regulatory review is pending, many small businesses are holding off the adoption of retirement plans for their workers.

I know from our ongoing conversations about retirement security issues that you agree that expanding small business retirement plan coverage must be an integral part of our nation's effort to provide retirement security for all Americans. For this reason, I believe that small business community needs to know that they can implement retirement plans, or go through a costly amendment process in the near future. It is imperative that this regulatory review be completed as quickly as possible before the end of the year, in a manner that is fair to both small business owners and their employees.

I appreciate the willingness your office has expressed in conversations with mine to make changes to the regulations effective for all plans, no sooner than plan years beginning on or after January 1, 2002. Although this is helpful, I remain concerned about the adverse impact on small business plan creation that frequently results during the interval between proposed and temporary regulations, and the finalization of these regulations.

I am confident that you will be able to resolve the tensions inherent in these plans in a way that addresses the concerns of both small business owners and their employees. I urge you to move this process along as expeditiously as possible, and look forward to working with you to accomplish this goal this year.

With best personal regards, I am

Sincerely,

Max Baucus (signed)

Procedures for Amending Plan Documents for "GUST"

4. Taxpayer Relief Act of 1997 (TRA '97); and
5. Internal Revenue Service Restructuring and Reform Act of 1998 (RRA '98).

The above statutes are more commonly referred to as GUST. As a result of the collective and significant impact of these five statutes on qualified retirement plans, the IRS has allowed plans to comply with these changes to pension law on an operational basis. To have this reliance, the plan must have a determination letter that reflects the Tax Reform Act of 1986 (TRA '86) and subsequent legislation. It also must have been amended for UCA '92 and OBRA '93 provisions. Standardized prototype plan users have equivalent reliance on the opinion or notification letter issued to the plan's sponsor. However, the Service also established a deadline for amending plan documents to incorporate these changes and to document how the plan operationally complied before its amendment. The remedial amendment period for the GUST changes was originally to end on the later of the last day of the 2000 plan year (for an individually-designed plan) or the last day of the 12th month after the prototype or volume submitter plan sponsor receives a favorable opinion or advisory letter. However, with the release of Revenue Procedure 2000-27, the IRS is providing an additional year to restate documents. The extension to the end of the 2001 plan year will apply uniformly to individually-designed, prototype and volume submitter plan documents adopted by employers. However, in

the case of prototype and volume submitter plans, the sponsor must submit its document to the IRS by December 31, 2000 for its clients to take advantage of the extended remedial amendment period. While it is unlikely that the IRS will extend the deadline for prototype and volume submitter document sponsors, the IRS has not ruled out such a possibility.

An employer who is a current adopting employer of a prototype or volume submitter plan will have 12 months after that plan is approved for GUST to adopt the approved plan. If the employer currently maintains an individually-designed plan and desires to substitute a prototype or volume submitter plan for its GUST restatement, the employer must certify to the document sponsor that it intends to adopt the sponsor's plan to take advantage of the 12 month after approval rule. Further, since the end of the remedial amendment period has been delayed, the certification must now be completed by the last day of its 2001 plan year for an employer seeking to substitute a prototype or volume plan for its individually-designed plan.

The Process for Amending Plans for GUST (Revenue Procedure 2000-20)

The amendment process for GUST was complicated because of the multitude of effective dates provided in the five statutes. Some provisions of these laws took effect as early as 1994 while others did not go into effect until the 2000 plan year. Initially, the Service used Revenue Procedure 98-14 to open the

door for approval of GUST-amended documents. Its shortcoming was that document approval was limited theoretically to law changes effective for the 1998 and earlier plan years. Several major rules [including the 401(k) safe harbor and the repeal of the combined plan limits of Code Section 415(e)] became effective in the 1999 or 2000 plan year. According to the 1998 Revenue Procedure, a plan that obtained an opinion letter under Revenue Procedure 98-14 would require a further amendment or restatement, along with a new IRS submission, to receive full approval for GUST. With the release earlier this year of Revenue Procedure 2000-20, approval of full-blown GUST plan documents was possible at least for prototype and volume submitter documents.¹ The IRS reiterated in Revenue Procedure 2000-20 that a *full* amendment and restatement was required for approval of a plan document that has been updated for all GUST provisions. According to Revenue Procedure 2000-20, a plan document with an initial approval letter under Revenue Procedure 98-14 could not be submitted for a full-blown GUST letter with only an attached amendment. The Service has retreated somewhat from this position, at least with respect to those qualified plans with Revenue Procedure 98-14 letters that did not use Safe-Harbor 401(k) provisions. Such plans will not need to resubmit under Revenue Procedure 2000-27. Were not those practitioners who delayed starting the amendment process based on previous IRS guidance as to the need for a complete restatement disadvantaged by this sudden change of mind?

The most significant development in Revenue Procedure 2000-20 is the single set of requirements and procedures that will apply to the previously separate prototype and

regional prototype plan programs. With the consolidation of all document submissions in the Cincinnati office, the rationale for a separate regional program ceased to exist. Now *any* business entity may sponsor a prototype plan as long as 30 employers are reasonably expected to adopt the basic plan document within the 12-month period following its approval by the IRS. In addition, a sponsor of a mass submitter word-for-word identical plan or a minor modifier plan are not required to have a specific number of adopting employers.

Revenue Procedure 2000-20 provides other important changes, and they are as follows:

1. Sponsors who file for opinion letters must make “reasonable and diligent” efforts to ensure that adopting employers actually amend their plans as necessary. These efforts are required to avoid possible revocation of their opinion letters. As part of this obligation, sponsors are required to maintain a list of adopting employers as well as employers who ceased using the prototype plan within the last three years. However, unlike under the old regional prototype rules, the sponsor no longer has to file an annual notice with the IRS.
2. Nonstandardized prototype plans are required to contain either a uniform allocation formula or a uniform points formula within the meaning of the Code Section 401(a)(4) regulations. The points formula was not allowed in prototype plans previously. Exceptions have been provided for permitted disparity plans, Davis-Bacon prevailing wage type plans, and 401(k) safe harbor plans that satisfy the safe harbor by making contributions to another plan. Standardized plans cannot satisfy

the 401(k) safe harbor requirements by making contributions to another plan unless they are “paired” plans, and the plan terms satisfy IRS Notice 98-52.

3. All prototype adoption agreements will be required to contain elective provisions that will allow the adopting employer to demonstrate operational compliance with GUST during the transition period between a provision’s earliest effective date and the date of the plan’s restatement. The procedure allows the prototype sponsor to incorporate these provisions in a “snap-off” section that may be removed if the adopting employer is not using the prototype document to retroactively restate the plan for GUST. This “snap-off” arrangement will provide a more user-friendly plan document for an employer adopting a new plan because unnecessary amendment language will not appear.
4. All prototype plans (standardized and nonstandardized) will have the option of permitting employers to continue to apply the pre-1996 family aggregation rules and the pre-2000 combined plan limits during the remedial amendment period. In addition, prototype plans will *not* be required to test elective deferrals, employer matching contributions and after-tax contributions for discrimination on a consistent basis (current year method or prior year method for both tests) during this period. However, repeal of family aggregation, the combined plan limits, and the use of consistent testing methods in prototype plans are mandatory for the plan year beginning after the plan is restated for GUST.
5. The Revenue Procedure formally extends the transition rule of

Code Section 410(b)(6)(c) to mergers and acquisitions that involve an employer that maintains a standardized prototype plan. The omission of this exception in Revenue Procedures 89-9 and 89-13 created difficulties for these employers. Without the ability to use this rule, an employer who adopts a standardized prototype plan would only be able to exclude employees covered by a collective bargaining agreement or nonresident aliens without U.S. source income. Now an employer generally may exclude acquisition or merger employees from coverage under its standardized plan until the last day of the plan year following the merger or acquisition. The employer also will have the option to include these employees before the end of the transition period.

6. The ability of an adopting employer to rely on the opinion letter of the sponsor of a standardized prototype plan, without the need to seek an individual determination letter, has been expanded. Formerly, reliance was not possible if the employer had maintained another defined contribution plan that covered the same participants. Revenue Procedure 2000-20 permits adoption and reliance if the prior plan is terminated before the effective date of the newly adopted standardized plan. In addition, no annual additions may be credited to the account of any participant under the terminated plan as of any date within the limitation year of the new standardized plan. A similar rule is provided for an employer, who had previously maintained a defined benefit plan, who adopts a standardized defined contribution plan after the repeal of the combined plan limits.

7. A prototype plan mass submitter may submit as many as five different trusts with their basic document for use by different sponsors. Flexible provisions also may be added for treating investment and administrative issues.
8. Prototype and volume submitter plan sponsors may apply for a further extension of the period in which their adopting employer must adopt the GUST restated plan. The application for a further extension may not be made earlier than the later of December 31, 2000 or the date of the sponsor's GUST letter, and the IRS will only grant the extension at its discretion. Factors to be considered in determining if the extension will be approved include:
- Did the sponsor take reasonable steps to timely complete the amendment process?

- Will substantial hardship be suffered by the adopting employers or plan sponsor?
- Is the extension in the best interests of the plan participants?
- Is the extension in the interest of the government?

A major disappointment is the failure of the IRS to use the Revenue Procedure to permit the inclusion of cross-tested allocation formulas in prototype plans. However, document providers still have the option of providing such a feature in a volume submitter document.

Good Communication to Clients will be Crucial

The flexibility that Revenue Procedure 2000-20 provides creates significant advantages for both the document provider and the client. However, it is important to communicate the deadlines that sponsors must meet and the changes in spon-

sor responsibilities that are contained in the procedure. A "Sample Client Letter for Restatements" has been provided to serve as a guideline for accomplishing this task. ▲

Richard Hochman, APM, Esq., is President of McKayHochman Company, Inc., an employee benefits consulting firm located in Butler, New Jersey. Steven Oberndorf, Esq., is an Attorney with McKay Hochman Company, Inc.

1 Revenue Procedure 2000-20 officially opened the door for plan submission by a mass submitter prototype plan sponsor on April 7, 2000 and the remainder of prototype sponsors on May 8, 2000. A sponsor of a volume submitter document could submit its document for an advisory letter starting March 8, 2000. It is not known how long the IRS will take to process and issue the appropriate opinion and advisory letters.

WELCOME NEW MEMBERS

Welcome and congratulations to ASPA's new members and recent designees.

CPC

Craig S. Abbott
Cynthia S. Brown
Robert F. Clark
Kevin T. Gallagher
Jonathan D. Ginzler
Deborah Boyce Greene
Thomas L. Marx
Thomas M. Ropke
Brian T. Starr
Christine A. Williams
Michelle M. Young

QPA

Edward R. Baier
Robert W. Baier
Paul W. Catton
Janine Chung
Karley A. Clawson
Elizabeth Ann Clay

Christopher DeMay
Mariagina Estacio-Garcia
Robin B. Hadley
Lynne M. Hamilton
Philomina C. Joseph
Michelle L. Judge
Jennifer J. Kennedy
Elizabeth A. Kincaid
Steven M. Loseff
Linda G. McClure
Michael S. Radoff
David A. Shupe
Kimberly E. Smith
Suzanne D. Smith
Carla B. Van Zee
Terrence M. Walsh

APM

J. Patrick Anderson
John P. Griffin

Mary L. Johnson
Robin D. Knutson
Charles D. Lockwood
Mark L. Lofgren
Virginia B. McLymont
Terrance P. Power
C. Ray Smith
Nicholas Waddles

Affiliate

Michael T. Adams
Denise Burton
Tina A. Campbell
Donn J. English
Kirk D. Hardy
Beth A. Hawbaker
Vicki H. Heggen
Sabrina L. Holme
Donald K. Jones
Erik C. Juhl

Laura B. Just
Jennifer M. Keller
Michael Lowndes
Tiffany K. Marsh
A. Michael Marx
Karl V. Marzocchi
Kyla K. Myers
Shiladitya Paul
Steve R. Perkins
Frederik W. Schmidt, Jr.
Sherilyn Schwartz
Randall R. Shrake
John J. Stroh
Phil E. Tisue
Esdras Vera
Timothy C. Voit
Ann L. Woloszynski

Sample Client Letter for Document Restatements

September 1, 2000

Mr. Paul Sample
ABC Manufacturing Company
1600 Pennsylvania Ave.
Berkley, CA 98765

RE: Amendment of the ABC Manufacturing Retirement Savings Plan

Dear Paul:

For some time now, we have been discussing with you the need to amend your company's retirement plan for the statutory and regulatory changes that have occurred since the early nineties when your plan was last amended and restated. We have started that amendment process.

The plan that you last adopted was on our regional prototype document. While you were working on making your business a continuing success, we were working on your behalf. We have submitted our revised document for IRS approval, and the IRS has issued an Opinion Letter approving our document as to form. We must now go the next step and get your plan design elections on the new form. While much of the necessary data is reflected on your existing plan document, there are some additional issues presented by the updated statutes and regulations that need to be addressed. We will be contacting you soon to arrange either a face-to-face meeting or a teleconference.

Among the issues that will be addressed in the new document are:

1. The actions you must take if one of your employees leaves for military service and returns to your employment.
2. The methods that have been used to operate your plan in accordance with the anti-discrimination tests required for 401(k) plans since 1997 and the methods that will be used in the future.
3. Your desire to eliminate the anti-discrimination tests by giving certain set contributions under the plan. (Since your plan is already top-heavy, we may be able to eliminate restrictive testing requirements without much additional cost to you.)
4. Which employees will be considered highly compensated employees, since these employees may be subject to certain restrictions on allocations.

What is your role in this process? *As the sponsor of the plan, your role is extremely important.* You will need to decide, with our help, the design of your plan into the future. Therefore, you will need to provide us with timely answers to our questions about which plan options will best meet your design expectations. You will also need to take time to review the documents we send to be sure that they meet your goals and objectives. We will, of course, highlight the major changes when we send you the documents.

You will need to have Board of Director approval of the plan amendment. You will also need to timely execute the amendment since we have a limited period of time to complete the amendment process. Depending on your final plan design, we may be required to submit your plan for IRS approval. This will require the completion of additional IRS forms as well as additional fees.

You will also need to communicate the changes in the plan terms to your employees. This action will be accomplished by providing them with a copy of the revised Summary Plan Description (SPD) that we will be providing you. You are no longer required to file a copy of your SPD with the Department of Labor.

If you have any questions during the process, please contact us so that we can be of assistance. We look forward to completing this process with minimal disruption to your business.

Very truly yours,

Richard Gusto
Perfect Pension Consultants

Present Valuations in Divorce

case law may dictate which method should be used. However, most states seem to prefer the Time Rule under various case names (i.e., *Majauskas - NY*).

Since most large defined benefit plans and municipal or state plans do not permit lump sum distributions, attorneys often require a present valuation of their client's or opposing client's pension benefit in order to buy out with personal assets or offset against an account balance plan. Since there is no lump sum actuarial equivalence in these plans, the choice of which assumptions to use is left to the expert. Although experts can select any interest and mortality assumption they can defend, the path of least resistance is to use assumptions recognized by the court. Using actual annuity prices with loading removed is one method; but the most common approach is to use either PBGC annuity rates or GATT rates as of the month and year the present value is being calculated. The most common mortality tables used by most experts are the Group Annuity 1983 male table or the GATT Group Annuity Blended Table.

Experts who use life expectancy instead of a mortality table will find it difficult to justify their approach when opposing an actuary or pension expert who has consulted ASOP #34 Section 3.3.4(c). The calculation of a present value using life expectancy assumes the participant will live to that age and therefore, an X year certain payment is being calculated.

Complications will arise where benefits are in pay status with survivorship options already in place that are more generous than the di-

vorce agreement specifies. In these instances, the expert must determine the amount to be debited from the Alternate Payee and credited to the participant to make up for the additional benefit the Alternate Payee may receive, upon the death of the participant, above the amount provided for in the agreement. Non-ERISA formulae that are back-loaded, where the benefit pops up retroactively when the participant reaches X years of service, will challenge the expert as to which formulae to use and which assumptions are appropriate.

These situations are beyond the scope of this article, which is intended to introduce you to a profitable adjunct to your existing business. Someone in your area is doing these valuations – why not you? ▲

Robert Guarnera, MSPA, CPC, EA, MAAA, FCA is President of Pension Actuaries, Inc. and Senior Vice President of QDRO Val Actuarial Associates, Inc., actuarial consulting firms specializing in QDRO preparation and pension valuation. Mr. Guarnera is also a past president of ASPA and currently serves on ASPA's Nominating Committee.

Exhibit I – Valuation of Marital Asset in a Defined Contribution Plan

Two Employees (I and II): Entered Same or Different Plans in 1978
Married in 1988
Divorcing in 1998

	Employee I	Employee II
Account Value on Date Participating (1978)	\$ 0	\$ 0
Account Value on Date Married (1988)	\$ 120,000	\$ 50,000
Account Value on Date Divorcing (1998)	\$ 200,000	\$ 200,000
Contribution Made During Marriage	\$ 0	\$ 50,000
Earnings on Marital Contributions	\$ 0	\$ 10,000
Marital Asset		
	Employee I	Employee II
Time Rule		
	10/20 x \$200,000 = \$100,000	10/20 x \$200,000 = \$100,000
Value Rule		
	\$200,000 - \$120,000 = \$80,000	\$200,000 - \$50,000 = \$150,000
Tracing Rule		
	100% Pre Marital = \$ 0	\$50,000 + \$10,000 = \$60,000

FOCUS ON THE BOARD OF DIRECTORS

ASPA's Board of Directors – Taking Care of Business

by John P. Parks, MSPA, ASPA President



ASPA's Board of Directors met in San Francisco immediately preceding the ASPA Summer Academy. It was the second of the three Board meetings scheduled for 2000. The final meeting will be held in October in Washington, D.C., prior to the 2000 ASPA Annual Conference.

Below is a brief summary of the major actions taken by the Board.

The Board made changes to the Statement of Operating Procedures for ASPA's Political Action Committee (PAC). In addition to changing the headquarter's address and making arrangements to include ASPA's Pension Education and Research Foundation (PERF) as a recipient of funds in the event that the PAC is dissolved, a major change was made to who can donate to the PAC. Due to recent changes in the Federal Election Commission's rules, all ASPA members are now able to donate to the PAC. For more information, or if you'd like to make a contribution, please contact Lisa Bleier, Esq., ASPA's Government Affairs Manager at (703) 516-9300 or via e-mail to lbleier@aspa.org.

Cathy Green, CPC, QPA, Chair of ASPA's Continuing Education Committee, presented a resolution to the Board stating the importance of continuing education for all designated members of our professional society. The Board approved that, beginning with the 2001-2002 CE cycle, all ASPA designated members will need to comply with the rules governing CE. Previously, credentialed members who received their designations prior to 1990 did not need to meet CE requirements.

Gwen O'Connell, CPC, QPA, and ASPA's Chair of the Education and Examination Committee, reviewed the planned restructuring of ASPA's education program. For more information, please see *The Pension Actuary*, May-June 2000, [E&E Plans New 2001 Exam Schedule](#), page 34. After the presentation, and based on the restructuring and also the changing needs of our industry, the Board voted that a new ASPA designation, the Qualified 401(k) Administrator (QKA) will be presented to the voting ASPA members by mail ballot in August.

ASPA's Nominating Committee Chair, Carol Sears, FSPA, CPC, announced the candidates for the 2001 ASPA officers.

George J. Taylor, MSPA
President

Craig P. Hoffman, APM
President-Elect

Stephen L. Dobrow, CPC, QPA
Vice President

Joan A. Gucciardi, MSPA, CPC
Vice President

Stephen H. Rosen, MSPA, CPC
Vice President

Scott D. Miller, FSPA, CPC
Treasurer

Gwen S. O'Connell, CPC, QPA
Secretary

John P. Parks, MSPA
Immediate Past President

Bruce L. Ashton, APM
Ex-Officio Member of the EC

These candidates will be nominated for office during the ASPA Business Meeting, Monday, October 30, 2000. A membership vote will be taken at that time.

The Board also received reports from the Finance and Budget, Conferences, Membership, ASPA Benefits Councils, Government Affairs, Education and Examination, Technology, National Office, *The Pension Actuary*, and Interprofessional committees. The Governance Task Force and the two task forces formed after the Strategic Planning and Implementation Team's meeting in February, Relationships and Marketing, also reported.

If you would like further information on the Board's activities, please contact Jane Grimm, Board Liaison, at the ASPA National Office, (703) 516-9300 or via e-mail to jgrimm@aspa.org. ▲

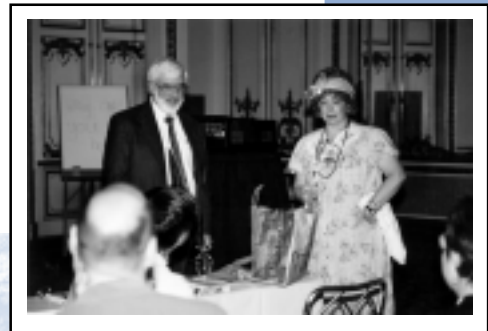
John P. Parks, MSPA, EA, is president of MMC&P Retirement Benefit Services in Pittsburgh, Pennsylvania. Mr. Parks also serves as a client consultant and is an Enrolled Actuary with 34 years of experience in the actuarial and employee benefit field. He is currently serving as ASPA's President. He has also served as ASPA's treasurer and was chairman of the Technology Committee when the new web site (www.aspa.org) was designed and implemented.



ASP A Summer Academy – An Unqualified Success!



President John Parks, MSPA, and Summer Academy Chair, Cathy Green, CPC, QPA, presided over one of the general sessions.

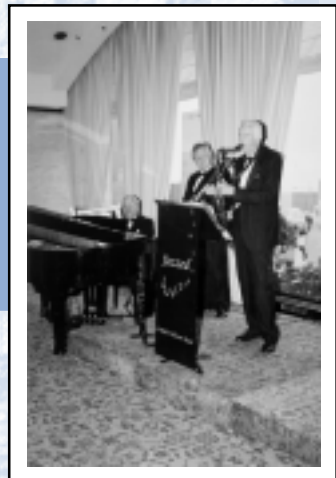


Speaker Nancy Michael takes a unique approach to employee communications. Michael Bain, MSPA, served as her moderator.



George Taylor, MSPA, ASPA's President-Elect, and Larry Starr, CPC, ASPA PAC's Chair, visit during the Welcome Reception.

The Welcome Reception included entertainment from the group "Jazzed."



The Exhibit Hall was full of attendees looking for ways to enhance their businesses and streamline their day-to-day processes.



Unless noted otherwise, all black and white photographs courtesy of Chip Chabot, ASPA's Webmaster/Multimedia Manager.

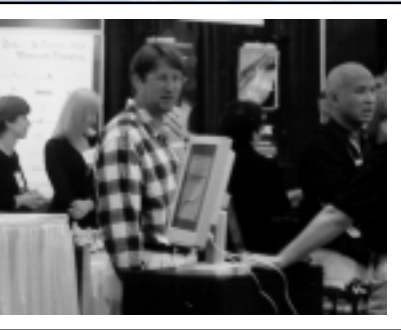
Carol Sears, FSPA, CPC, ASPA's immediate past president, and her husband, Kevin, sample the goodies at the Welcome Reception.



Trish Rafferty, CMP, ASPA's Director of Meetings, was ready and eager for the conference to begin.



Special Capitol Hill Mystery Guest is revealed. It's Diann Howland, Pension Policy Advisor, Senate Special Committee on Aging. ASPA's Executive Director, Brian Graff, Esq., ASPA President, John Parks, MSPA, and Diann update attendees on ASPA's government affairs activities.



About 400 attendees visited the exhibitors during the continental breakfast and beverage breaks.

Attendees and speakers had a chance to catch up with each other during the Welcome Reception.



ASPAs Board of Directors met prior to the Summer Academy where ASPA President, John Parks, MSPA, and President-Elect, George Taylor, MSPA, donned their fisherman's hats, received at a recent Council of Presidents/ Council of Presidents-Elect meeting. There's a story here, ask John, George, or Brian about it! Thanks to Janet Eisenberg, MSPA, for capturing the moment for us to share.

Join us for ASPA's Summer Conference in 2001, July 22-25, at the Palace Hotel in San Francisco!

Electronic Document Management

using templates and overlays) will appear exactly as they would have if printed from the originating system.

What features should document management software contain?

There are a large number of document management software packages on the market today, which vary significantly in capability and features. Because of the sophisticated nature of pension administration, it is our belief that a relatively "high end" product is necessary for the overall system to be satisfactory. The following is a list of the features we feel should be sought by a pension firm.

- Document storage should adhere to industry standards. Software that uses "proprietary" storage formats should be avoided.
- The software should accommodate the association of several different indexes with a document. It should be possible to identify and retrieve documents for a given client, a particular plan year, a stated document type, etc.
- As noted earlier, it is likely that the system will store different segments of a given client file on separate storage media, e.g., an active server on the network for recent documents, a DVD jukebox for older files, etc. Therefore, it is important that the software accomplish retrieval of a given file with a single command, independently of the actual storage media used for its various segments. The user should not be required to know "where" the file is physically located on the hardware.
- Somewhat related to the prior point, the software should automatically perform the archiving of files as they age, according to user specified criteria.
- As suggested in the previous section, it is most important for pension firms that the software include the capacity for COLD processing, and that this capability may be linked to whatever other systems the firm has in place.
- Even if it is not to be part of the initial implementation, the software should have a module available to perform "Workflow" processing that can be added at a later date. (This will be described in more detail later.)
- Similarly, the software should have a module available to provide access over the Internet, even if it is not used in the initial implementation.
- The software should contain robust and easily manageable security features. Naturally, these become increasingly important (vital, in fact) if and when the system is deployed on the Internet, and also when sensitive internal company information is added to the database.
- The software should permit simple and affordable expansion capabilities, as business volume and staff size increase.
- Finally, it is very important that the software permit the creation of modifications and/or add-ons by either the pension firm user or its system integrator. Most software that is presently available is written with general business needs in mind. Because of the specialized nature of pension

administration, it is critical that the basic software can be customized to the needs of its users, so that they can retrieve and use the documents it contains according to a practical and familiar pattern of organization.

Is there any other type of software we should consider?

For certain pension firms, an added set of capabilities may also be of importance, which will generally require specialized software in addition to the "core" EDM program. These are firms that have an extensive number of forms furnished to them (such as 401(k) elections or cafeteria plan claims) by clients and plan participants, who could benefit from fully automated recognition and interpretation of the forms' contents to further improve efficiency.

For example, should you require several individuals to perform data entry from an election form, Data Capture software can be programmed to read this data off of the forms at a rate of 95% accuracy. The software is also designed for operators to verify the data in such a way that the vendors can guarantee that 100% clean data is exported.

The exciting part of data capture is that this data can then be sent automatically to one or many other computer systems. This process provides many benefits that will become invaluable once deployed. Data integrity will be superior to all other systems, including paper filing systems, software applications, etc. If you are sending the same data stream to all applications, you eliminate misfiled or misplaced information from your firm. Data Capture is often thought of as a luxury, but when weighing the importance of data integrity, it becomes a main benefit of any information management system.

You've mentioned "Workflow" on several occasions. Exactly what are you talking about?

Many of the more consulting-related activities of a pension firm do not follow a prescribed pattern of consistent work steps, simply because each case has its own characteristics and requirements. This is generally the situation with the design of new plans, redesign of existing ones, and similar activities, and may also extend to other activities of a particular firm.

However, there are also several common processes that are handled in an identical fashion in all instances, and which may involve the movement of documents among various staff members to perform successive steps of the procedure. Examples might include claims within a cafeteria plan, employee terminations in a retirement plan, and even the annual plan valuation steps for simpler benefit programs. Each of these is a process to which Workflow software can be applied, as part of the overall EDM system.

Workflow software automates essential business processes and allows many of them to happen simultaneously. It also can take over several manual jobs such as sending out reminders, statements, and other documents via fax, e-mail, or printed mailer. As a rule of thumb, workflow systems try to keep employees focused on doing the work they were hired to do and not on doing clerical work such as filing or faxing.

The software requires very exact procedures and rules. You need to map your business process from A to Z, providing all possible results from decisions made throughout the process. For example, if a step is to evaluate a participant's contribution to the plan to see if it exceeds the allowed amount, you will have only two results, true or false. Then, all we need to do is simply tell the com-

puter what task to do when the statement is true or when it is false. As you can see, the level of detail necessary to effectively deploy a Workflow is quite high.

This brings up the question, when is Workflow appropriate or cost beneficial?

Workflows excel in areas where business processes are routinely audited. The Workflow keeps an entire history of the steps taken for each document. Additionally, workflow software can hold individuals or groups accountable for actions to be completed in a timely fashion. You can design these time-based flows to send reminders to the person or group, or simply notify them of the expired time frame. Management finds these flows to be especially helpful because you can set the software to inform the manager when certain expectations are not being met for a particular business process. This allows management to focus on being proactive rather than constantly auditing the work of their staff.

Once the system is established, can we throw all of our paper away?

"ALL" may be a bit extreme, but in general, a very large percentage

of a firm's paper files may be completely eliminated.

As pointed out by Amy Cavanaugh in her "Qualified Retirement Plan Record Retention Guidelines" article (*Milliman & Robertson's Perspectives*, Fall 1999 Issue), the government has regulations pending regarding the electronic maintenance of employee plan records to satisfy the requirements of ERISA and other Federal laws. While we do not wish to reproduce that article in detail, its basic thrust is that the regulations will permit virtually all plan records to be maintained electronically, provided certain conditions are met. The type of systems we have been describing in this article satisfy all of those conditions.

Okay, now we know the basics of EDM systems. You still haven't told us how one will benefit our firm.

While every firm will derive these benefits in differing measures, the following is a list of the more general advantages of an EDM system that will be realized by virtually every user.

- Simplest of all ... elimination of the need to ever "go and get a file." Files are instantly delivered to a staff member's desk.



- Elimination of misfiling, either in the wrong section of the client file, or in the wrong client file
- Ability of multiple employees to view/use the same file simultaneously
- Capability to search within a file for all documents pertaining to a subject
- Capability to view/use all documents of a particular type across all clients (or a subset thereof)
- More rapid response to client inquiries, especially over the phone. No more “I have to go get your file.”
- Elimination of delays involved in retrieving documents that are stored off-site
- Document access by employees who are working out of the office
- Improved communication in multiple office environments
- Web access of selected documents by clients and plan participants
- Improved security of files
- Ability to directly fax client documents from within the client’s file
- No more manual work in archiving older records
- Improved internal workflow
- Cost to locate a misfiled document – \$120
- Cost to reconstruct a lost file – \$750
- Cost to maintain a 5 drawer filing cabinet – \$880 per year
- **Professionals spend over 150 hours annually looking for misfiled paper documents.**

The last point on this list is particularly revealing, since it suggests that the elimination of this problem can result in an increase in productivity of professional staff members in the range of 10%! This factor alone might easily enable a pension firm to recover the cost of its investment in the system within a period of 12 to 24 months.

Since you brought up the word “cost”, can you provide an idea of what kind of dollars might be involved?

Unfortunately, it is as difficult to quote expected costs in an article such as this, as it is to predict likely savings in costs. It is much like the proverbial question: “How much does it cost to build a house?”, which cannot be answered without knowing what sort of house is needed. However, we can briefly discuss some of the factors that will influence the overall cost of an EDM solution.

A portion of the costs to be expected are direct out-of-pocket outlays for hardware, software, and outside services. A number of variables come into play in determining these cost elements, including the following:

- The number of staff members who will utilize the system (since EDM software is usually priced accordingly)
- Whether all users will employ the system simultaneously (which will indicate whether “dedicated” or “concurrent” software licensing is appropriate)

- What the volume of paper processed on a daily or weekly basis is (which will lead to the optimal choice in scanning equipment)
- What the firm’s requirements are pertaining to the “back-filing” and electronic retention of older documents (which will govern the sort of storage equipment to be purchased)
- The degree to which customization of the software, and of integration with other internal systems, is desired (which will determine charges by the system integrator, beyond those for standard installation)
- Whether added software elements, such as Data Capture, Workflow, and/or Remote/Web Access is called for (since these are added cost modules)

Perhaps even more difficult to estimate “in a vacuum” are the other elements of the cost of the solution, which are the indirect expenses related to internal staff time employed in the installation process. Some of these costs can be measured in advance, such as expected training time, or time for scanning the existing back-file of documents, once the solution becomes clearly defined. Others are more difficult to predict, such as the initial loss in efficiency by those staff members who find it more difficult to adjust to new methods of performing their jobs.

With respect to the out-of-pocket outlay element of overall costs, it would not be unreasonable to suggest that a cost per user of between \$4,000 and \$8,000 might be the range for a fully functional basic EDM solution for an “average size” pension firm. Given the nature of cost savings that have been experienced and discussed earlier, such an

What exact cost savings can be expected because of EDM?

It really isn’t possible to predict the specific savings a firm will realize, without knowing the details of its current operation. However, the following facts may be indicative of the areas in which savings may occur. They are among the results of a 1995 International Records Management Council survey.

- Paper document files grow at a rate of 20% annually
- 5% of all paper documents are misfiled, even with the best records management systems
- Cost to retrieve a single page document – \$20

investment could be recovered within a one to two year period.

You've mentioned the System Integrator as one of the cost elements to be considered. Exactly what role does the Integrator fulfill?

The Integrator is your hired advocate in the entire process. A good System Integrator champions the needs of its clients first, and utilizes several products and services to provide a complete "turnkey" solution.

To do this, typically the Integrator will first help create a Scope Document, detailing what the solution's goals are. This document will contain a survey of your user needs, processing volumes, and other critical information. It will specify what integration with other systems is required. If Workflow is to be considered, it will detail your business practices. If Data Capture is to be utilized, it will define all forms to which it is to be applied. In short, it will be a complete definition of the project.

The Scope Document will serve as the basis for developing the software and hardware requirements of the solution. The System Integrator will either directly procure the software and hardware, or assist the firm in doing so.

Following the "game plan" set forth in the Scope Document, the System Integrator will then manage the complete process of installation, including software configuration and staff training. In addition, in more extensive solutions the Integrator will also be responsible for:

- Programming to integrate the solution with other user software;
- Configuration of Workflow software to the users' business practices;
- Web page creation and other remote access installation; and

- Data Capture installation and configuration.

Finally, the Integrator will be responsible for all ongoing maintenance and support of the components of the solution.

It is the Integrator's sole purpose to create and implement a solution that meets your needs.

What steps do you recommend be followed to start investigating and implementing an EDM system?

If your firm is further interested in pursuing EDM, here are several suggestions as to what you might do next:

- Do more research, since this article has only scratched the surface of this topic. A good place to start is the Internet, and a good first site to visit is that of the Association for Information and Image Management (www.aiim.org). Added information on software choices can be found at OTG Software (www.otg.com), Hyland Software (www.onbase.com), and ReadSoft (www.readsoft.com). Hardware information can be found at such sites as Kodak (www.kodak.com), Fujitsu (www.fujitsu.com), and Pioneer (www.pioneerusa.com). Finally, you might want to visit our own site at www.paperlesspensions.com, when it goes into operation later this summer.
- Determine the volumes of paper that are processed by your office. These will be among the first questions to be asked by any vendor, or by the System Integrator you select.
- Evaluate your needs for the various solution elements we have described, such as Workflow or Web Access. Also consider the degree to which, and rate at which, you will want to add archived files to the database.

- Involve your staff members who will actually be **using** the system early in the process. EDM is more successful the more its users "buy into" the concept in the planning stages. Unsuccessful installations occur when staff feels that "management is making me do things this strange way."
- Seek a System Integrator who is independent (not "married" to one vendor's line of products), and preferably one who already has a degree of familiarity with the retirement plan industry. ▲

Mark K. Buckley is General Manager of Lebson Advanced Systems, Inc., a systems integration firm specializing in document management. Mark has numerous hardware/software certifications in the Document Imaging and Data Capture industry. Kim L. Szatkowski, CPC, QPA is a Senior Consultant at Lebson Actuarial Services, Inc., an affiliated member of The Lebson Group.

ASPA Exam Results Posted Online

Exam results for the June 2000 C-1, C-2(DB), C-2(DC), C-3, and C-4 exams are now posted by candidate name at www.aspa.org/aspaedu.htm.



Los Angeles Benefits Conference

Hilton Universal City & Towers · Universal City, California · September 14-15, 2000

The Los Angeles Benefits Conference, sponsored by ASPA and the Western Area, Tax Exempt and Government Entities Division of the Internal Revenue Service, will focus on the exchange of information between regulators and practitioners, the advancement of technical knowledge, and the sharing of practical solutions to benefits questions.

Speakers

The conference will feature a number of prominent speakers including: Evelyn A. Petschek, Commissioner of Tax Exempt & Government Entities Operating Division, IRS; Leslie Kramerich, Acting Assistant Secretary, PWBA, DOL; Richard J. Wickersham, Manager of Guidance and Quality Assurance for Employee Plans, IRS; Preston Butcher, Director, Employee Plans Examinations, IRS; and Virginia C. Smith, Director of Enforcement,

DOL. These and many other government agency and private industry presenters will participate.

Topics

Conference topics will include: IRS HQ Overview; DOL Investigations and Litigation; IRS Initiatives and Audit Activity; 401(k) Plan Design Alternatives, Including Safe Harbor Plans; Fiduciary Issues in 401(k) Plans; DB Plan Design in the Aftermath of Cash Balance and 415(e); Service Provider Issues in PWBA Investigations; Correction of Disqualifying Defects; 401(k) Operational Issues Resulting from Mergers and Acquisitions; Cross-Testing and Other Age and Service-Based Allocation Methods; DOL Q&A; and IRS Q&A.

Registration Fees

Early (until August 21) \$425
Additional Registrant * \$375

Late (after August 21) \$525
Government Representative \$ 95

* To qualify for the additional registrant discount, additional registrants must be from the same location of the same firm, and all registration forms must be submitted together by the "early" registration deadline.

CE Credit

The conference provides 14.75 continuing education credits for ASPA designations, as well as credit for CLE, CPE, EA, and CRSP designations.

For more information, contact the ASPA Meetings Department at (703) 516-9300 or by e-mail at meetings@aspa.org. You can also visit ASPA's website at www.aspa.org. The brochure and registration forms have been mailed and are available on the website.

Special Luncheon Entertainment Highlights 2000 ASPA Annual Conference

ASPA is pleased to announce two special additions to the Annual program for 2000. There will be luncheon entertainment on both Monday and Tuesday during the conference. With our October 29 – November 1 dates only a week out from the Presidential Election, we are excited to have politically-themed presentations scheduled for both days.

On Monday, October 30 we have arranged to have former White House correspondent for United Press International, Helen Thomas, as the luncheon speaker. Helen spent 40 years as a White House correspondent, beginning by covering President-elect, John Kennedy in 1960. She has traveled worldwide with Presidents Nixon, Carter, Reagan, Bush, and Clinton and

has covered Watergate, Iran-Contra, Whitewater, and the Impeachment trial, as well as all aspects of the White House and the Presidency. She shares her many distinctive experiences with her audiences.

In May, Helen resigned from her position as Senior Correspondent with UPI and has recently signed with Hearst Publications, where she will be syndicated twice weekly. Don't miss this great opportunity to hear from one of the foremost authorities on our recent presidents. In addition, we will have copies of Helen's book, *Front Row at the White House: My Life and Times*, available for sale at the conference.

Tuesday's luncheon features a return performance by the Capitol Steps.

This enormously popular local troupe of former Congressional staffers provides a humorous look at the latest and best-known events in the nation's capital. They are sure to provide us with their unique slant on the upcoming election.

We have scheduled two luncheon sessions on both Monday and Tuesday to ensure that all attendees have the opportunity to enjoy both Helen Thomas and the Capitol Steps. You will be assigned to a group at on-site registration at the conference.

For more information on our Annual Conference, watch your mail for registration materials in early September or visit our website at www.aspa.org.

NEWS ALERT!

ASPA Programs Have Now Been Approved for SOA Professional Development Credit!

ASPA is pleased to inform you that several of our 2000 programs have been approved by the Society of Actuaries (SOA) for Professional Development (PD) credit. Those who attend the specified program and complete the necessary CE forms are eligible for PD credit as follows:

Program	Date	Location	Maximum PD Credits*
Defined Benefit Workshop	Various	Various	6
Midstates Benefit Conference	May 8-9, 2000	Chicago, IL	12
Northeast Area Employee Benefits Conference	June 16, 2000	White Plains, NY	6
Best of Midstates Workshop	Various	Various	6
ASPA Summer Conference	July 16-19, 2000	San Francisco, CA	up to 15 (selected sessions)
ASPA Annual Conference	Oct. 29-Nov. 1, 2000	Washington, DC	up to 15 (selected sessions)

In addition to the above programs, ASPA is in the process of obtaining PD credit approval for the Los Angeles Benefits Conference (September 14-15, 2000). ASPA members and conference attendees will be notified of the number of approved credits in the near future.

ASPA will seek PD credit approval for these and any new ASPA

programs on a yearly basis. The number of PD credits that are approved for each ASPA program will appear in the brochure for that particular program.

Please contact ASPA's meetings department at (703) 516-9300, e-mail meetings@aspa.org, or visit ASPA's website at www.aspa.org for more information on ASPA's programs. For more detailed infor-

mation on Professional Development credit, you can also contact the SOA at (847) 706-3500 or visit the Education section of the SOA website at www.soa.org.

*All programs completed for PD credit must fit with the candidate's integrated PD plan and adhere to the educational objectives approved by the advisor and the SOA.

E&E Seeks TEC

Until Oct. 26, ASPA's Education and Examination Committee is taking applications from pension professionals interested in working part time on editing study guides, reviewing examinations, and providing technical education support.

If interested, send resume and a cover letter expressing how you can help to Jamie Swank, Dir. of Ed. Svcs, 4245 N. Fairfax Dr., Ste. 750, Arlington, VA 22203.

www.aspa.org

Check out the Conferences Webpage to download information, brochures, and registration forms for upcoming conferences.



South Florida and Atlanta

by Barry M. Levy, Board President, ASPA Benefits Council of South Florida, and Albert J. Otto, APM, Board President, ASPA Benefits Council of Atlanta

ASPA's Benefits Councils provide cost-effective and convenient educational, training, and networking opportunities on a local level. In the year 2000, ABC members and meeting attendees have enjoyed topics such as *Current Trends in Qualified Plan Investments and Expenses*, *Fiduciary Liability Issues and 401(k) Fee Initiatives*, *Daily Valuation*, *Controlled Group Issues*, and *Distribution Planning*. The ABCs of South Florida and Atlanta have both experienced an increase in meeting participation over the past year and look forward to continued success!

An Educational Experience in Sunny Florida

The ASPA Benefits Council of South Florida is now in its third year of operation. With an average of 40 to 45 attendees, our meetings are attended by principals and employees of almost every firm involved in third party administration of qualified plans in South Florida. The keys to our success are 1) quality speakers, 2) quality speakers, 3) quality speakers, and 4) organization.

Our meetings over the past two years have featured speakers such as Derrin Watson, APM, author of *Who's The Employer?* and "Mom" at PIX; Valeri L. Stevens, APM, author of *Guide to the Form 5500 Series*; Robert M. Kaplan, QPA, of McKay Hochman & Co., Inc., (Mergers and Acquisitions); Brian H. Graff, Esq., ASPA Executive Director; Richard A. Hochman, APM, of McKay Hochman & Co., Inc.; and Ben Tobias, CFP, CPA/PFS, of Qualified Plan Investments. Much of the credit for our success must also go to board members Gary L. Tortora,

CEBS, and Ingrid Fils, who just passed ASPA's C-2(DB) exam and will be applying for her QPA designation.

The foremost goal of the ABC of South Florida is education. As noted above, our members are being educated and kept up-to-date through nationally recognized qualified plan experts. Along with the meetings, we organize ASPA classes for those individuals seeking ASPA designations. This past spring we were fortunate enough to have Yale Wahl, ASA, EA, volunteer to teach the C-2(DB) course. Yale put in a tremendous amount of time in preparation for the course and developed some of his own teaching material.

The ASPA Benefits Council of South Florida would enjoy hearing from speakers who will be in South Florida vacationing or visiting family who would be willing to share their expertise and insight with our group. The weather is terrific January through May. Think sun, South Beach, The Keys, and drinks with funny umbrellas! ▲

Barry Max Levy is a Pension Consultant and President of Levy & Associates. Levy & Associates is a pension consulting organization whose main activities are qualified plan design, installation, administration and recordkeeping. The firm currently provides plan services for over 500 employers ranging in size from a single owner/employee to several hundred employees. Levy & Associates serve as third party administrators and are approved by major insurance companies, brokerage firms and banks. A graduate of the University of Maryland, Barry Levy has been a guest on financial talk radio and a featured speaker on qualified plans. He has been recognized in federal and state court as an expert in the area of qualified retirement plans. He joined the predecessor organization, Leo Levy & Associates, in 1989. Mr. Levy is currently President of the ASPA Benefits Council of South Florida.

Banner Year for ABC of Atlanta

The ASPA Benefits Council of Atlanta, with the help of Founding Board Member Cynthia A. Groszkiewicz, MSPA, QPA, Program Chair Katrina Moody, Treasurer Robert A. Habif, and Membership Director James E. Bushnell, is having a banner year. The Council has 346 members as of June 30, up from 88 on December 31, 1999. Average meeting attendance has increased from 31 in 1999 to an average of 70 in 2000.

In addition, Carol J. Skinner, QPA, Past President and Marketing Chair, spearheaded the Version 1.0 launch of our website. We are working on Version 2.0 and hope to provide more information, education, and utility for our members.

One of our major goals for 2000 was to become the “organization of choice” for pension professionals in Atlanta. The website, increase in membership, and increase in participation are all a great first step toward that goal. To further these goals, we have two additional initiatives. First, we will be adding a scholarship fund to promote actuarial education in the community. Secondly, we are working on an article series with a high profile business publication in Atlanta. The series will provide education to the public, exposure for ASPA, the ABC, and its members. It will also bring full-page ad exposure to our sponsors for the year.

The Atlanta ABC will host the ASPA 401(k) Daily Valuation Workshop on August 25. Our next two meetings will focus on major issues at the forefront of the pension world. In October, we will address “Who is the Employer?”,

and then on November 9, “Technology Trends and Retirement Plans.”

We appreciate the increased participation from the retirement plan community and look forward to bringing more to each individual as we evolve. ▲

Albert J. Otto, APM, is the Director of Retirement Services for Hobbs Group, LLC. A nationally recognized talent, Al brings to Hobbs Group over eighteen years experience in sales and management positions creating and implementing successful programs in product marketing, marketing analysis, business development, alliances, Internet strategies and operations. His career has included serving as National Alliances Leader for Minnesota Life, EVP Field Operations and VP of Sales for the Grant Nelson Group, as well as President of Waverly Wealth Management, a financial consultancy working with small/medium companies. Al Otto earned his Bachelors of Science Degree in Mechanical Engineering from Virginia Tech. He is presently the President of the ASPA Benefits Council in Atlanta. Also, he is a current contributor to Competitive Edge Magazine.

CE Guidelines and Forms!

Please note that, included with this edition of *The Pension Actuary*, are ASPA’s *Guidelines and Forms* for our continuing education program. Please use this valuable information to answer questions you may have about continuing education and to report your CE credits to ASPA by January 8, 2001.

If you have specific CE related questions, please e-mail educaspa@aspa.org or call the Director of CE at (703) 516-9300.

Are you a few CE credits shy of what you need for the 1999-2000 cycle?

ASPA is now offering the Top 5 of 1999, an inexpensive way to earn up to 7.5 CE credits without leaving your home.

You’ll get:

- Five audiotapes from the 1999 Annual Conference
- A binder with complete session outlines
- Five True/False quizzes to earn CE. Each quiz is worth 1.5 CE credits

Questions? Call ASPA at (703) 516-9300, check www.aspa.org, or e-mail educaspa@aspa.org.



ABC Events

Date	Location	Event
August 25	Atlanta	401(k) and Daily Valuation Workshop Speakers: Janice M. Wegesin, CPC, QPA and Carol R. Sears, FSPA, CPC
August 30	Cleveland	Workshop: Industry Update; Distribution Planning; Plan Design; Controlled Group Issues; Restatements; GUST Speakers: Lorraine Dorsa, MSPA, Lorraine Dorsa and Associates; Ronald Gross, MSPA, Moskal Klein; Petra Bradbury; and Mike Riley, McDonald Investments
September 11	Delaware Valley	Pension Issues and GAC Update Speakers: Congressman Robert Andrews of N.J. and Brian H. Graff, Esq.

Welcome to eASPA!

by Michael L. Bain, MSPA

Quick quiz - what do CFM, SQL, ASP, XML and you have in common? Chances are, today, not much. However, in a year – another story entirely! Throw these ingredients into a pot, add a dose of iMIS, and what do you get? A bigger, faster, and more information-packed www.aspa.org. The website is growing, and you will too!

A few issues ago (November-December issue), *The Pension Actuary* made a bold claim in the Focus on Technology section. We stated, and I quote, "We are examining e-business opportunities... (that) will increase the website's interactivity tenfold." This summer, the ASPA Technology Committee and the National Office took steps to make sure that the claim did not go unfounded.

Recently, the National Office finalized appropriations for a new database. After reviewing several packages, it was decided to go with an iMIS software package that includes full web and e-commerce integration. The database will be installed this coming winter, and in spring 2001, a newer, more powerful ASPA web will emerge!

One of the first web activities to be integrated with the website will be online conference registration. The days of downloading an Adobe® Acrobat® application and faxing it into the National Office are numbered! With the database accessible via the Internet, you will register for the conference, select the workshops that you want to attend (and know if they are overbooked or not!), sign up for the party, verify that your name badge will reflect your nickname, pay for it, and receive confirmation, all within minutes. The use of commercial credit card verification services and Internet security protocols ensure that your

transaction will remain secure from start to finish.

Expanding on this, you will be able to get the latest up-to-date information on the conferences. Any changes made to the schedule are automatically available on the website. The oversold conference workshop becomes dual sessions – the registrants on the waiting list for session one are automatically registered for session two. Speaker lists are updated on the fly. With the integration of the web site and database, information is disseminated as quickly and as efficiently as hitting a mouse button.

Hot on the heels of ASPA conference registration is online membership. Have you recently moved and aren't sure if the TPA will make it to your new office? Check your record online, and update it if you need to. Your dues notice was eaten by the dog (We get taller tales!) and you are afraid that your designation was dropped? Check your membership dues status on the website and pay for your dues on the spot. Looking for another actuary on the opposite coast? Look them up... online. These are some of the many ways that the interactive website will assist you.

Future plans for website implementation include the ASPA store, your one-stop-shop for textbooks, study guides, ASPA wearables, and other paraphernalia.

So what does all of this mean for you? Imagine coming into the office one morning and finding in your mailbox the latest conference brochure, enticing you to San Francisco for the Summer Academy. Interested, you log onto www.aspa.org and look into the conference. Looking at the agenda, you see a session you are curious about – click on it and read the full synopsis. You recognize one of the panelists – doesn't he run a business the next town over? Hop over to membership and look him up. Having his number, you call him and inquire about the session. Now convinced that you NEED this session, you head back to conferences webpage and register. Your registration form pops up (already filled out! – thank gosh you paid your late dues last week). You are in on the hottest session of the conference, ten minutes after looking at the brochure! Checking the publications page, you see that the new edition of the *ERISA Outline Book* is now available, and click – it is on its way to you. And how about that new employee you hired right out of college? Sign them up for an on-line version of PA-1. Take the course and exam on-line. No more waiting for books or grading. Get instant feedback. The future is here to grasp or to run you over. ASPA is ready!

The possibilities abound, and ASPA is dedicated to bringing the best Internet services available to its members. With exploding technology, the future is limited only by what can be imagined. With the addition of the iMIS database, ASPA's web presence will continue to grow and expand, taking advantage of all new technologies.

Looking forward to next year yet? ▲

Michael L. Bain, MSPA, is president of CMC in Glendale, CA. Mr. Bain is ASPA's technology chair and a divisional chair on the E&E Committee. He has been involved with technology and systems integration since the outset of his career, including working for several of the pension software firms.

Education and Voluntary Compliance Programs for 403(b) Plans

by Theresa Lensander, CPC, QPA

On May 4, the Internal Revenue Service sponsored an annual training meeting on 403(b) plans. ASPA was well-represented at this meeting by Theresa Lensander, Chair, Tax Exempt and Governmental Plans Committee; David Pratt, Vice-Chair IRS Tax-Exempt and Governmental Plans Committee; and ASPA Tax-Exempt Committee members Joe Hurst and Helene Rayder. Other attendees included representatives from the American Bar Association and the Southwest Benefits Conference.

The opportunity to meet face-to-face with IRS agents and other officials from the Employee Plans Tax Exempt and Government Entities Division of the Service to exchange ideas for education and voluntary correction was a very rewarding experience. Participants were asked to focus on the following issues: real world 403(b) concerns, vendor interface, Revenue Procedure 2000-16, practices and procedures, realities of acceptable correction methods, and experiences with TVC and audit CAP. Other topics discussed included 457 plans and educational outreach ideas, such as how to reach ineligible 403(b) plan sponsors to let them know about the new TVC correction process, and also the development of a more structured APRSC-type correction program to assist smaller tax-exempt 403(b) plan sponsors with operational issues.

With the audit regulations being finalized, the development of the TVC

program, and the new local educational coordinators, we have come a long way towards the advancement and understanding of 403(b) plans. However, many of the problems we set out to fix several years ago still exist and need further research and clarification. Common problems encountered frequently in today's world pertain to universal eligibility issues, improper distributions, improper reporting of distributions, lack of documentation, and lack of operational policies and procedures.

It is recognized that there has been an inherent roadblock to education and learning in the 403(b) area, partially because the topic itself is difficult (The rules are different from the rules for qualified plans, yet just as complex.) and also because the regulations are very outdated and need clarification. For example, there is currently a question about the ability to terminate 403(b) plans. Also, a 403(b) plan may

(or may not) be subject to ERISA Title I requirements. This fact often contributes to confusion in communication with an employer or plan sponsor and can result in a complete lack of understanding of how the plan should be operated.

ASPA complimented the Service for its efforts to date to reach out to practitioners and employers for the purpose of educating them in the 403(b) area. ASPA emphasized that educational process is critical to improving compliance and offered the following suggestions: educational meetings for plan sponsors, vendors and consultants; more publications, including on-line information; and ongoing dialog with vendors and other professionals within the 403(b) and 457 markets. ASPA agreed to assist in the new Partnership for Compliance program for 403(b) plans by including the IRS in our conferences and in educational programs for our members.

The invitation to ASPA to participate in this forum is an honor and a reward for our educational efforts to date. The groundwork has been laid for future cooperation, learning and understanding between the private and public sectors, marking tremendous progress from where we were a few years ago. ▲

Other members of the Tax-Exempt and Governmental Plans Committee include: JoAnn Albrecht, CPC, QPA; Michael DeVault; Ami Givon, APM; Randy Goodman; Theresa Leiker, CPC, QPA; Gary Herzlich; Joe Hurst, APM; Kathleen Meagher; and David Pratt, APM.

Theresa Lensander, CPC, QPA, serves as Chair, Administration Relations for ASPA Government Affairs and Chair, Tax-Exempt and Governmental Plans Committee. She is President of The American Pension Company in Santa Barbara, CA, and specializes in administration for qualified plans and 403(b) arrangements.

Qualified 401(k) Administrator – A Future ASPA Designation?

by Gwen S. O'Connell, CPC, QPA

After a presentation on the restructuring of ASPA's education program at the July 2000 Board of Directors meeting, the Board voted to present the membership with a change in our bylaws to allow a new ASPA designation – the Qualified 401(k) Administrator (QKA). This proposed new designation and the restructuring of ASPA's education program are a direct result of the Board Leadership Retreat held in February 1999, nearly a decade of discussion about ASPA's need to meet the pension industry's changes, expansion, and growth, and a desire to address the 401(k) specialization of retirement plan professionals.

If approved by the voting membership, the designation would be available to all retirement plan professionals who successfully complete the PA-1A, PA-1B, C-1, C-2(DC) and the Daily Valuation examinations. A two-year experience requirement must also be met and the standard membership application procedure (application form and letters of recommendation) will also be required.

Pension professionals currently holding a Qualified Pension Administrator (QPA) designation, who pass the Daily Valuation examination may apply for the QKA designation through ASPA's membership department.

Reasons to support this new designation include:

1. A wider cross-section of the pension industry will be required to meet continuing education requirements and ASPA's Code of Conduct, enhancing the professionalism of the pension industry. This will improve the status of our industry and enhance the quality of work performed.
2. ASPA's Government Affairs Committee has been trying to persuade the Federal government to require that only qualified professionals be permitted to administer retirement plans and prepare 5500 forms. Government officials have informally indicated that requiring knowledge of both DC and DB plans for a professional designation is not reflective of current industry trends and will cause many problems for retirement plan service providers. These government officials have informally indicated that this new 401(k) designation could serve as a model toward a more professional requirement for plan administration.
3. A larger and more representative ASPA will give us greater clout on Capitol Hill. Recently, effective lobbying efforts by ASPA's Government Affairs Committee and our Executive Director, Brian Graff, have resulted in tremendous strides toward fighting unreasonable changes in new comparability rules

and in gaining positive pension reform legislation. However, as you know, pension reform legislation has been cyclical. The pendulum toward positive pension legislation could quickly swing until pensions are, once again, used as a "piggybank" to fund unrelated government initiatives. A larger, stronger ASPA will be in a better position to fight any negative trends and better meet ASPA's mission of preserving and enhancing the private retirement system.

It is time to recognize the way that our industry is changing and growing and to design ASPA's designation to represent this evolution of the industry. The trends in our industry toward specialization are very clear. All credentialed members of ASPA will be asked to vote for ASPA's present and future needs to remain a viable force in pension education and on Capitol Hill.

By the receipt of this issue, voting members of ASPA should have received a ballot and additional information regarding this vote and change in ASPA's bylaws. If you have any questions/concerns, please contact Jane Grimm, Board Liaison, at the ASPA national office, (703) 516-9300 or via e-mail at jgrimm@aspa.org. ▲

Gwen S. O'Connell, CPC, QPA, is Principal of Summit Benefit & Actuarial Services, Inc. in Eugene, Oregon. Ms. O'Connell currently serves on ASPA's Executive Committee as its Secretary, and is the general chair of the Education and Examination Committee.

PIX Digest

The Pension Information eXchange (PIX) is an online service for pension practitioners. ASPA has co-sponsored the PIX Pension Forum for many years. For more information about PIX, call 805-683-4334.

Changing Plan Types Mid-Year *[Thread 87217]*

A user posted a question about a client possibly amending a money purchase plan into a defined benefit plan during the plan year. In this particular case, the client had already made a \$30,000 contribution for the 2000 plan year. If the plan is now amended to become a defined benefit plan for the 2000 plan year, can that contribution be applied to the defined benefit funding standard account for the 2000 plan year? The defined benefit plan alone would generate a \$100,000 contribution for the client, while a combination of money purchase and defined benefit would limit the deduction to the 25% limit, or just \$42,500 based on \$170,000 of compensation.

PIX users are divided on the issue. Several see no problem with this, while others are concerned that the IRS would require the contribution made while the plan is a money purchase plan to be allocated under the terms of that plan as it existed when the contribution was made. Another user pointed out Q&A 74 from the 1998 ASPA conference wherein the IRS sug-

gested that in such a situation the contribution could be returned from the money purchase plan as a non-deductible contribution and recontributed to the defined benefit plan. Other users disagree with the IRS response on this.

To read the entire thread, download `mptodb2.fsg`.

Beneficiary Kills Participant, Who Gets the Death Benefit?

[Thread 87284]

A user has a client where a plan participant was killed by his spouse, who was his beneficiary. A criminal investigation is ongoing as to whether this was murder or perhaps self-defense. The spouse has requested her death benefit from the plan.

What should the plan sponsor do? There are state laws prohibiting a murderer from benefiting under wills or insurance policies. Most users felt that the same principle should apply in this situation. Another user pointed out, however, that the spouse has not been convicted, and may never be convicted of murder. If the plan pays the spouse now and she is later convicted, the children could have a claim against the plan. If the plan

does not pay her now and she is not convicted, the spouse could have a claim.

Several users suggested filing an interpleader with a court to decide who gets the money. Most users agreed the plan should immediately hire an attorney. To read the entire thread, download the file `murder2.fsg`.

Acquisitions and Different Limitation Years

[Thread 87642]

A user has a client with plans that run on a July 1 to June 30 limitation year. Last year the client acquired another company that had a plan that used a calendar year limitation year. The question is, once the acquired participants join the client's plan using the June 30 limitation year, how are their annual additions during the overlapping calendar year treated? Of course, the plans could use the 410(b)(6)(C) transition period for coverage and discrimination testing, but this does not apply to 415 limits. Once the company is acquired, it is a single employer for 415 purposes. Several users quoted sections of the regulations and Revenue Ruling 79-5, though no consensus was reached as to how to treat the specific situation being discussed.

To read the thread, download the file `415acq2.fsg`. ▲



Bulletin Board

Designated members' voting ballots for proposed QKA designation due - 9/15

Early Registration Deadline for the Annual Conference September 29

Don't forget! PA-1 exams must be in the ASPA office on 8/31

Early Registration Deadline for December exams - 10/15

Make hotel reservations for the Annual Conference by October 6 (202) 582-1234

Filing Deadline for CE credits to maintain ASPA designation - 1/8/01

2000 Calendar of Events

		ASPA CE Credit
August 25	401(k) Daily Valuation Workshop, Atlanta, GA	7
August 28	Defined Benefit Workshop, Orlando, FL	7
August 31	PA-1(A) and PA-1(B) exam submission deadline	**
Sept. 4	Suggested starting time for fall Virtual Study Groups	20
Sept. 10	EA-2 Course enrollment deadline	
Sept. 14-15	LA Benefits Conference, Universal City, CA	14.5
Sept. 15	Deadline for new designation voting ballots	
Sept. 16-19	EA-2 Course, San Francisco, CA+	15
Sept. 22-25	EA-2 Course, Chicago, IL+	15
Sept. 29	Annual Conference early registration deadline	
October 14-17	EA-2 Course, Washington, D.C.+	15
Oct. 15	Early registration deadline for ASPA December exams	
October 20	Annual Conference late registration deadline	
Oct. 29 - Nov. 1	2000 ASPA Annual Conference, Washington, D.C.	20
Nov. 1	Final registration deadline for ASPA December exams	
November 22	Early rescheduling deadline for fall exams	
November 29	Final rescheduling deadline for fall exams	
December 6	C-1, C-3, C-4 and A-4 exams	*
December 7	C-2(DC) exam	*
December 8	C-2(DB) exam	*
December 31	Daily Valuation Exam submission deadline	***

* Exam candidates earn 20 hours of ASPA continuing education credit for passing exams, 15 hours of credit for failing an exam with a score of 5 or 6, and no credit for failing with a score lower than 5.

** PA-1A and B exams earn five hours of ASPA continuing education credits each for a passing grade.

*** Daily Valuation exams earn ten hours of ASPA continuing education credits for a passing grade.

† ASPA offers these courses as an educational service for students who wish to sit for examinations which ASPA cosponsors with the Society of Actuaries and the Joint Board for the Enrollment of Actuaries. In order to preserve the integrity of the examination process, measures are taken by ASPA to prevent the course instructors from having any access to information which is not available to the general public. Accordingly, the students should understand that there is no advantage to participation in these courses by reason that they are offered by a cosponsor of the examinations.

